

SENATE BILL 3623
By Finney

AN ACT to amend Tennessee Code Annotated, Title 68,
Chapter 135, to enact the "Tennessee Biodiesel
Production Act of 2006".

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 68, Chapter 135, is amended by adding
Sections 2 through 8 of this act as a new part thereto.

SECTION 2. This act may be cited as the "Tennessee Biodiesel Production Act of
2006".

SECTION 3.

(a) It is hereby the express intent and public purpose of the general assembly to
authorize the establishment of cooperative efforts between the state and private enterprise in
order to:

(1) Encourage the utilization of vegetable oils, including soybean oil, animal fats,
or recycled restaurant greases and other similar products for energy purposes and
thereby encourage the establishment of a substantial market for Tennessee agricultural
products;

(2) Revive economically depressed areas and create a significant number of new
agricultural and non-agricultural jobs;

(3) Encourage participation of the private sector in the development of a
production system for alternative fuels within the state of Tennessee;

(4) Promote the use of clean, efficient and renewable energy in the state of
Tennessee and the United States;

(5) Attract new industry to Tennessee and thereby encourage the investment of capital in Tennessee; and

(6) Reduce the dependence of the state of Tennessee and the United States on imported petroleum through the use of alternate, renewable energy sources.

(b) In addition, the general assembly takes note of the fact that other advantages would accrue from the wider use of biodiesel in Tennessee, including:

(1) Air pollution would be reduced, improving the health of adults and children; visibility would be increased, enhancing tourism; and the goal of achieving the air quality standards of the Environmental Protection Agency would become more approachable;

(2) Biodiesel, produced in-state, could be sold to Tennessee consumers at lower cost because the costs of shipping crops such as corn or soybeans out of the state and vegetable fuel oil back into the state would be eliminated;

(3) Biodiesel's increased lubricity would lengthen the engine life of a motor vehicle and reduce the frequency of oil changes;

(4) Tennessee farmers would be benefited by having a greater market for soybeans and other oil-producing crops;

(5) By using soybeans in biodiesel production, the entire farm product could be utilized: oil for the fuel; glycerin for soap and other products; and the crushed beans and hulls for animal feed; and

(6) Biodiesel oil production uses less energy than it offers to the consumer.

SECTION 4. As used in this act, unless the context otherwise requires:

(1) "Agriculture products" means vegetable oils, including soybean oil, or animal fats;

(2) "Applicant" means a person, which may include a non-profit organization, who applies for a loan to receive production incentives under this act;

(3) "Biodiesel (mono-alkyl-esters)" means a cleaner-burning fuel made from a combination of petroleum-based oil, a non-renewable fuel, and renewable resources such as vegetable oils, including soybean oil, animal fats, or recycled restaurant greases;

(4) "Commissioner" means the commissioner of agriculture;

(5) "Department" means the department of agriculture;

(6) "Production incentive" means a loan program created by the department to encourage applicants to build production plants which utilize Tennessee agriculture products and recycled restaurant grease for creating biodiesel products.

SECTION 5. In order to qualify for production incentives under this act, an applicant must submit proof, satisfactory to the commissioner, on a form prescribed by the commission, that the applicant is ready, willing and able to build a production plant which uses Tennessee agriculture products, including recycled restaurant greases from restaurants located within Tennessee to the extent practicable, for creating biodiesel products.

SECTION 6.

(a) The department shall create as a production incentive to build production plants for creating biodiesel products, a short-term, no-interest loan program available to approved applicants, as funds are available and appropriated in the general appropriations act. The loan program shall include the following conditions:

(1) The term of the loan shall not exceed five (5) years;

(2) No loan shall exceed two million dollars (\$2,000,000) for a processing plant to produce crude fuel oil and other products nor five million dollars (\$5,000,000) for a refinery to produce fuel-grade oil;

(3) From the date a loan is granted, repayment shall be deferred for two (2) years and repayment of the loan balance shall be made in equal payments over the next three (3) years;

(4) No more than six (6) loans shall be available at any one time; provided that no more than two (2) loans shall be made in any one grand division of the state at any one time.

(5) The commissioner shall require sufficient surety from the applicant, in the commissioner's discretion, to ensure the loan will be repaid in a timely manner.

(b)

(1) Except as provided in subdivision (2), an applicant shall be given priority to receive production incentives authorized by this act only if the agricultural product or farm animal used in the production of biodiesel at a production plant for which a loan is made is produced or grown in Tennessee, or recycled restaurant grease from restaurants located in Tennessee is to be used at such plant.

(2) If sufficient Tennessee agricultural products or farm animals, or recycled restaurant grease from restaurants located in Tennessee, is not available for the production of biodiesel at a production plant which is the subject of an application for a loan, a loan to an applicant for the use of such products from other states for the production of biodiesel may then be considered.

SECTION 7. In enforcing the provisions of this act, the commissioner is authorized to audit the proofs required to obtain the loan.

SECTION 8. The commissioner shall promulgate rules and regulations in accordance with the uniform administrative procedures act, compiled in title 4, chapter 5, to effectuate the purposes of this act.

SECTION 9. For purposes of promulgating rules and regulations, this act shall take effect upon becoming a law, the public welfare requiring it. For all other purposes, this act shall take effect July 1, 2006, the public welfare requiring it.